

April 9, 1996
For Immediate Release
Internet: <http://www.treasurer.ca.gov>

Contact: Stan Devereux
Patrick Hill
(916) 653-0665

Treasurer Fong Gets Go-Ahead For Commercial Paper Program

Bill Authorizes CP Program for State Public Works Board Projects

SACRAMENTO--State Treasurer Matt Fong today said he plans to utilize tax-exempt commercial paper by the end of the month to help meet the state's borrowing needs and to save taxpayers money.

Senate Bill 96 (Chapter 26, Killea) was signed into law by Governor Wilson on Monday and clarifies the treasurer's ability to issue commercial paper, which was authorized by the Legislature last year in SB 1337 (Killea).

"California can save millions of dollars in annual borrowing costs by using commercial paper," said Fong, who sponsored the bill. "We will be one of the first states in the nation to take advantage of the savings made possible by having a flexible commercial paper program in place."

The bill also authorizes the use of commercial paper for State Public Works Board (SPWB) projects. The SPWB yesterday approved the use of commercial paper for public building projects. Fong said his department will begin the process of developing a commercial paper program for the SPWB for issuance later this year.

The first issuance of general obligation commercial paper is scheduled on or about April 30, for various purposes. Commercial paper is a debt instrument which allows the state to borrow money to meet its short-term financing needs for up to 270 days, and has lower borrowing costs than current instruments, such as loans from the Pooled Money Investment Account (PMIA) and long-term bonds.

Treasurer Fong also announced that Morgan Guaranty was selected to provide a line of credit for the general obligation commercial paper program. Earlier, he announced that Goldman Sachs will serve as the lead underwriter in the state's tax-exempt commercial paper programs. Lehman Brothers and Morgan Stanley have been appointed to assist in development and marketing of the programs, while Orrick, Harrington & Sutcliffe and Lisa Greer Quateman will provide bond counsel services and advice on federal tax law. Public Resources Advisory Group (PRAG) will serve as financial advisor.

###